



Re-engineering the DOE Cost and Accrual Process

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Definitions

Accrued cost– un-invoiced, un-recorded, projected dollar value of cost incurred (or goods & services received) on a financial instrument

Actual Cost – dollar value of amount invoiced or provided through a cost report



Why are accruals necessary?

- In general, accrual-based accounting provides for a more accurate portrayal of financial status. Expenses are recorded when goods/services are received and revenues are recorded when goods/services are provided.
- Federal accounting standards require DOE to use the accrual-based method of accounting.



Background

- Historically, DOE's accrual processes were not standard across allotment holders.
- Increasing focus: The President's Management Agenda & Performance Mapping Tool (IDW and JOULE Linkage)
- Relationship to Uncosted Balance Reporting Requirements
- Auditor Findings & less than stellar financial statement opinions



Tiger Team Objective

- Develop **and implement** a corporate costing and accrual policy that 1) provides program office customers with better financial information and 2) provides for timely and accurate corporate financial reporting.
- Target Date for Implementation
01/13/06



Scope of Work

- Contracts
- Grants (ASAP and Non-ASAP)
- Interagency Agreements
- Other instruments are travel, training, reimbursable work, working capital fund, purchase orders, and miscellaneous obligations.



Policy Development Team

- Program Community Members:
 - Kevin Kelly, EH DAS for Planning and Administration
 - Kevin Clark, FE Budget Analyst
 - Kathleen Foley, NNSA Director of Planning, Programming, Budgeting, & Evaluation.
 - Robin Osik, EM
 - Michael Osinski, SC Budget Analyst



Policy Development Team

- Field CFO Community members:
 - Hughie A. Thomas, ORO
 - Bruce Fitch, ORO
 - Ed Maestas, AL
 - Floria Brown, CH
 - Susan Kulsic, NETL
 - Laura Kramer, STARS Team
 - Colin Powers, Financial Policy
 - IBM Team members



Interim Targets

- Solidify Diverse Team of Experts
12/02/05
- Team Meetings 12/5/05-12/30/05
- Program internal communications and preparation for implementation
12/5/05 through 12/30/05
- Finalize Draft Corporate Policy
12/22/05
- Final Policy Issuance 01/20/06
- Effective date: 01/20/06



Draft Vision

- For contracts, IAs, and miscellaneous obligations:
 - Automated costing will continue via VIAS invoice approval process
 - Costing will continue via manual entries based on cost information provided by programs
 - Default accrual formula was developed with input from programs and auditors.
 - Near month-end, a snapshot of uncosted balances will be taken; auto accrual calculations will be executed and the results posted in STARS/IDW.
 - A table of excluded Purchase Orders is in process and based on input from programs and field offices.
 - VIAS e-mails will be generated to program officials with large uncosted balances requesting acceptance or adjustment of the accrual. Threshold being discussed is \$1Million.



Draft Vision cont'd....

- Financial Assistance Awards
 - Cost reports will continue to be processed in accordance with field instructions.
 - Grants using the ASAP mechanism
 - Grants using the VIAS mechanism
 - Automated accruals will be generated on most instruments with an uncosted balance and a year-to-date payment history.
 - Current policy threshold of \$200K is under review. Consensus reached that threshold is too low. The draft policy seeks a threshold of \$750K. A threshold of \$750K would cut the number of accruable instruments by about 75%.



Draft Vision cont'd...

- Travel instruments will be accrued by the default calculation, but no e-mail request for accrual will be generated.
- Training instruments will be accrued by the default calculation, but no e-mail request for accruals will be generated.
- Miscellaneous obligations will be accrued by the default calculation, but no e-mail request for accruals will be generated.
- Purchase Orders will be accrued by the default calculation, but no e-mail request for accrual will be generated.